Consumer Electronics Show

For New, Old CE Items

Lower Price Points Are Seen Key in Tough Economy

Consumer electronics buyers have seen the future and it is:

- Careful entries into videocassette recorders (VCRs), and primarily a wait-and-see stance on video disc players and software.
- A new generation of miniature stereos, which resemble component systems but carry much lower price points.
- Pocket-sized stereos with headphones, in cassette players and radios.
- Clinging to the $69 price point in off-brand television promotions (black & white) at the low end, or keeping as close to it as possible in a name-brand set.

The general excitement level in the industry may be highest when it comes to video equipment. The high-ticket VCRs ($700 and up) represent a huge market potential, especially when coupled with software such as prerecorded movies or blank tapes which can generate repeat sales. Many discounters are hesitant to stock goods with such high tickets, however.

Video disc systems have overcome reluctance at some chains to carry such a high-ticket item, as retails on a mechanical disc system (RCA) can run $450, but a major drawback here is that existing systems are incompatible. Pioneer, RCA and Panasonic discs are not interchangeable.

Merchandisers at Magic Mart, Murphy's Mart and Prange Way were among those who had hoped to stock disc players but took a wait-and-see strategy, at least until after the CE show.

Jefferson/Ward and Caldor are among the chains testing the water in both VCR equipment and video discs. Jefferson/Ward has carried the discs and players since March but does not promote them because of RCA's own promotional efforts. The chains have not taken deep cuts in their promotions of VCRs—at present there is no competitive need to do so. Both Caldor and Jefferson/Ward have also promoted prerecorded and blank tapes with their VCRs.

Catalogers have the jump on discounters in video equipment, with chains stocking four to six sku's, commonly in VCRs. Disc players came out too late to make most catalogs this year.

In stereo, much of the interest lately has been in miniature units with Hills and Pamida among those interested in the subcategory. Price points will fall close to $200 at many chains.

Discounters have been inching up toward $350 in stereo price points—K mart promoting sets just above that—although the bulk of promotional activity remains under $300. Woolco, which had been as high as $699 in stereo price points last year, has dropped down $150 on its high end to $549. Target, Zayre, Caldor and Jefferson/Ward have all been hitting price points between $100 and $200 in recent promotions.

In promotional black & white televisions, industry opinion is still split, with some chains favoring off-brand, private label or unbranded sets which enable them to keep the psychological edge of a $69 price point in televisions. K mart, Woolco and Zayre are among those promoting sets at $69 recently. Even Jefferson/Ward, which prides itself on being a name-brand house, uses one line for a $69 promotion.

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Discounters Almost Double CE Space Over Last 5 Years

	1970	1975	1976	1977	1978	1979	1980	10-year change	5-year change	'80 vs. '79
Dept. Size (sq. ft.)	1,100	1,058	2,215	1,950	1,950	2,000	2,000	+81.8%	+89%	NC
Annual Turns	3.5	3.4	3.1	3.1	3.0	3.0	3.0	−14.3%	−11.8%	NC
Volume Per Sq. Ft.	—	$185.00	$196.61	$197.23	$203.34	$206.44	$208.00	—	+12.4%	+0.8%
Initial Markup	23%	24%	26%	26%	26%	26%	26%	+13%	+8.3%	NC
Gross Margins	19%	20%	22%	22%	21%	21%	21%	+10.5%	+5.0%	NC
Discount Store Sales	—	—	—	—	$2.7B	$3B	$3.2B	—	—	+6.7%
Sales Per Stores	—	—	—	—	$396,521	$412,882	$415,504	—	—	+0.6%

NC—No Change. B—Billion. *Source: DSN research*

Consumer electronics departments have experienced a boom in the last five years, leading discounters to almost double their floor space in the department. Initial markup and gross margin have also inched upward, but turnover in the department overall has fallen. Though 1980 was a tough year, volume gains over the last two years equaled 18.5% and much of this reflected an increase in unit sales. Goods in the consumer electronics category have one of the best in-store records for holding price points season after season.

Pocket-sized stereos with headphones are the new wave in portable music, with some chains promoting cassette players and others running radios with smaller tickets.

Pocket-Sized Stereos With Headphones Will Get A Wide Hearing From Discounters This Summer

Discounters will widely test CE's new image category this summer—pocket-sized stereos with headphones—but expect the business to take off next spring.

Buyers look to the June CE show for proliferation of vendors in the category, primarily with knockoffs of Sony's high-ticket Walkman, but manufacturers already in the category include Toshiba, Sanyo, Yorx, Aiwa and G.E.

Some discounters will be trying AM/FM or FM radios with headphones rather than stereo cassette players, with vendors such as Caprice and Lloyd's offering much lower price points than cassette players but the same ultimate portability in music.

Woolco will be merchandising pocket-sized stereos in both a radio and cassette-player format, on a test basis, in one-third of the chain's stores.

"These are new spring items and have just hit the stores, but we are looking to expand the category if the test turns out well," said a Woolco buyer.

Woolco will be carrying a Yorx portable stereo cassette player near a $60 price point, and a step-up Aimor Travel Mate near $100. An AM/FM stereo radio from Mura called High Stepper will be run at $59.95.

The stock is being tested in 100 Woolcos in both metropolitan and suburban markets, with regional promotions but no national advertising on the items.

"We may have advertising coming along in the fall," the Woolco buyer said. "We want to stay with low price as the primary selling aspect in the category, rather than having more features on an item. We'd like to stay within the $49 to $59 price range."

Alexander's and Prange Way have both used radio stereos to hit low price points in the category recently, trying out a much lower end than Woolco. Alexander's ran an AM/FM unit at $39.99 in a recent promotion, while Prange Way advertised an FM unit from Caprice at $29.99 ($34.99 everyday price).

Gee Bee, meanwhile, has promoted G.E.'s Stereo Escape cassette player at $89.99 ($99.99 everyday), which is still significantly below Sony's Walkman (over $130 on promotion). K mart has gone with an unbranded unit, Stereo-on-the-Go, at $78.

"People will look for the Sony until they see the price, then they'll start looking for a better deal," a Danners (3D) buyer said of his choice to go with a knockoff item in the category.

Danners has placed orders for Yorx Traveller cassette players, though the units are not in-store yet. Everyday price will be under $59. The chain will also offer a Lloyd's AM/FM radio for under $30.

"We are expecting good sales through the summer to tie in with outdoor activity. We haven't set up a promotional schedule yet. We'll wait until the units have been in the

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HARDWARE

These hardware figures, for the 30-day period ended March 27, 1981, were supplied by Stem Distributing, a division of Cook United, Maple Heights, Ohio, and cover 600 stores including 480 discount department stores in 35 states. Average retail prices reflect typical price points for discount chains.

Profit dollars lie in accessories rather than power tools for most discounters. Accessories are neatly cross-merchandised with tools at this Mays in Yonkers, N.Y. *(DSN photo)*

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	PLUMBING			
1	White Al/Amer Wood toilet seat	1,248	6.62	8,261.76
2	560 U-Plm toilet tank repair kit	1,176	5.18	6,091.68
3	PM 3600 Flo Plastic pump-pedestal	72	62.33	4,487.76
4	DMP21HK Flotec drill pump	536	5.48	2,937.28
5	5102 Nasco Master Plumber qt	2,148	1.25	2,685.00
6	SC3000 Flo cast iron pump submers	22	105.69	2,325.18
7	B293A Great V prsnl shwer 2 spray	134	16.96	2,272.64
8	SM 3000 F10 plast pump-submersible	23	97.30	2,237.90
9	PC 3600 Flo cast iron pump-pedestal	30	70.76	2,122.80
10	760 U-Plumb P-trap 1¼ bathroom	384	5.27	2,023.68
11	767 U Plumb J-Bend 1½ chrome	456	3.85	1,755.60
12	766 U-Plm J Bend 1¼ chrome	432	3.47	1,499.04
13	50490 Oatey 50/50 SW Solder ½ lb	276	4.96	1,368.95
14	L1100 Aqua Kitchen faucet sgl cont	48	27.90	1,339.20
15	PB3600 Flo bronze pump pedestal	13	102.62	1,334.06
	LAWN & GARDEN			
1	575875 Signet Hose 5/8 radial	2,010	12.51	25,145.10
2	615 K/S Line trimmer ½ HP Electric	602	38.21	23,002.42
3	SLR Tempr L handle rount Pt shove	3,342	6.15	20,553.30
4	51225 Toro Trimmer Weeder 900	681	28.17	19,183.77
5	500-05 Color ½ vinyl 2 ply hose	5,410	3.36	18,177.60
6	90 Melnor Garden sprayer poly, 2 gal	476	26.68	12,699.68
7	SB14 Temper bow rake	1,998	6.15	12,287.70
8	51325 Toro Trimmer/Weeder 1100	179	61.62	11,029.98
9	SG 6 Temper hoe	1,662	4.68	7,778.16
10	785 Melnor hose reel/cart	278	26.70	7,422.60
11	1608-50 Color 5/8" Nylon rnfced nontxc	575	12.22	7,026.50
12	1601-75 Color 5/8 Nylon rnfced hose	498	13.67	6,807.66
13	58 P Keller leaf/lawn rakes 22	2,688	2.52	6,773.76
14	700 PM Paramount Edgr/Trmmr ¾ HP	118	56.18	6,629.24
15	8640-80 Color 5/8 Radial tire cord	378	16.25	6,142.50

(Continued on page 19)

You're watching a glove catch a customer.

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Each glove in the Louisville Slugger lineup is made of top-grain cowhide. And each glove is made with the kind of craftsmanship that produces a firm yet flexible feeling of total control.

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Louisville Slugger®

H&B Hillerich & Bradsby Co., Louisville, Kentucky

PMA® PRODUCT MOVEMENT AUDIT

Promotions Pumped Up In Hardware

By Ed Russ
Executive VP, Stem Distributing

Fill-in movement figures for March reflected the fact that all segments of the hardware industry will be trying to squeeze extra volume from a tough retail environment this year.

We at Stem are trimming sku's in most categories, looking for the most productive inventory line. Among our discounter customers, we are seeing a large increase in promotional efforts. There are now 12 to 14 promotions where we saw six or seven two years ago. Vendors are also giving monthly and seasonal specials, as well as holding in-store road shows to help keep up business.

In lawn and garden, we naturally see hoses and trimmers as tops in dollar movement. While the consumer will not go out and buy a trimmer every two years, they do replace hoses almost every year.

Consumers used to buy the cheapest hose every year, but there has been a move to step-ups and hoses remain a strong seasonal promotional item. Another good seller has been the 14-in. to 16-in. diameter storage reel for hoses. We've carried it in the past, but we are really getting the sales volume on it this year.

In lawn chemicals, total dollar volume is down about 20% from a year ago. We have pared our sku's in the category (Ortho), so we are selling more of each item though total dollars are down. Shoppers are more environmentally concerned now, and are staying away from the chemical sprays in particular. Fertilizer sales are still strong, however.

In plumbing, pumps man-

(Continued on page 19)

J. Brannam Unwraps 10; Total: 37

DENVER—J. Brannam, Woolworth's 1½-year-old apparel specialty chain, recently swelled its ranks to 37 units with 10 openings: four here, one in nearby Boulder, four in Indianapolis and one in Springfield, Ill.

Brannam, which sells brand-name merchandise at discounted prices, intends to open an additional 10 units throughout the country during the remainder of the year.

The Denver units are located at East 104th Avenue and Washington Street, West 36th Avenue and Youngfield Street, West Jewell Avenue and South Wadsworth Boulevard and University Boulevard and Orchard Avenue. The store in Boulder is on 28th and Walnut Streets.

PMA®

PRODUCT MOVEMENT AUDIT

Promotions

(Continued from page 14)

aged to show in five of the top 10 spots in dollar movement. It was a wet spring in many of our service areas, so pump sales have been strong overall. Pricing has also become sharper as some vendors lowered pump prices, though two models now retail near the $100 mark. Despite the high tickets, those two sku's were in the top 10 in volume for the plumbing category over the last year.

Turning to import items, the major trend we see is that discounters aren't using import tools in the same manner as in the past. In previous seasons, discounters have gone with dump tables filled with tools priced under $1. Now these tools average $1.50 and are given freestanding pegged displays in high-traffic areas for impulse purchases. The No. 5 item in the imports, for instance, is International Sales' 10-in. grip lock plier with an average retail of $3.67.

Most of the import business remains in tool sets which are run on advertised specials, but imports are needed in merchandising programs now because of the higher price points in domestically made hand tools. A United States-made hammer which used to run for $2.99 will now run $6 to $8.

Stanley's 20-oz. hammer breaks the $10 price point, but is a strong item nonetheless, appearing among top movers in the tools category. Repeating as consistent top movers in that category are Stanley's Powerlok tapes, Bernz blow torch and accessories and No. 1, the Arrow staple gun. Bucking the general inflationary trend, the Ajax home rivet tool is one item in the category which has a slightly smaller average retail for the season at $7.55 rather than last year's $7.79.

Inflation has shown steadily in Black & Decker's offerings, as prices overall increased about 12% last year. Two more price hikes are slated for this year, but sales in the category have been good. The Workmate remains a very popular promotional item, with the benchtop model tops in unit movement here, closely followed by the single-height model.

Black & Decker's trade-up power tools show more movement than its basic promotional models, which is in part a response to the firm's advertising. The company has emphasized its higher-priced tools in ads. Our movement in Black & Decker goods has increased greatly since we added its accessories over the last year.

In other power tools, we are going to trim sku's, consistent with our total plan of narrowing assortments. We will probably go with one or two national vendors instead of three, as we do now. Dollars in the category do not justify the breadth of lines we now carry.

We are experiencing more continuity of business when it comes to electrical goods this spring. We are selling more multiple outlets and more rheostats than in the past, although as a category electrical items are too technical for extensive

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HARDWARE

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ELECTRIC

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	SL-1K Flor Shop Lit comp 40 W-28"	1,028	16.14	16,591.92
2	3101-100 ft 16/2 RD cord, ext outdoor	941	12.04	11,329.64
3	DR600RC Lutron U L Rotary Dimmer	2,334	4.07	9,499.38
4	3302-100 ft 16/3 RD cord ext outdoor	676	14.02	9,477.52
5	CFL 22 con-serv fluor lite scru-in	624	9.92	6,190.08
6	U100 Aliance Tena-Rotor automatic	113	48.69	5,501.97
7	436 6' 14/3 cord air-conditioner	2,091	2.20	4,600.20
8	100 Colton E Z cord ext cord holder	1,607	1.77	2,844.39
9	1219-60 Tape import PVC ¾ x 60'	5,399	0.48	2,591.52
10	AP15-X Flor U cab Fix w/o outlet	361	7.07	2,552.27
11	DR 600PS Lutr UL Dimr Push on/off	454	4.97	2,256.38
12	4484/201 25' TRB Lite Plas guard rd	373	5.22	1,947.06
13	4170/151-6-8½ clamp on light	372	4.67	1,737.24
14	WRW 220 Flo Wrap/Arm Fix 2-20W-24	55	27.02	1,486.10
15	DNG 600PS Lutr DMR Push on/off lite	196	7.55	1,479.80

BLACK & DECKER

1	7308 Black & Decker 7¼ circular saw	1,078	36.42	39,260.76
2	9330 Dustbuster	482	28.95	13,953.90
3	7190 ⅜ Drill vs rev lock	431	31.86	13,731.66
4	8124 Shrub/hedge trimmer deluxe	456	36.28	11,983.68
5	7127 ⅜ drill variable speed rev	478	22.76	10,879.28
6	7580 jig saw variable speed	289	27.96	8,080.44
7	7404 sander double insul	360	21.35	7,686.00
8	7600 Router ⅝ HP Ball Bearing	223	30.32	6,761.36
9	7504 Jig saw double insul	370	13.32	4,928.40
10	7004 ¼ drill double insul	380	12.82	4,871.60
11	79-020 benchtop workmate	114	37.87	4,317.18
12	79-003 workmate single htg	88	47.12	4,146.56
13	75300 Jig saw 2 speed	184	20.48	3,768.32
14	7436 Sander dual/act ⅓ sht	108	31.96	3,451.68
15	79-001 workmate 29 in dual ht	29	95.28	2,763.12

TOOLS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	T 50 Arrow Staple gun chrome	850	14.50	12,325.00
2	PL425 Stanley tape 25' powerlock	1,032	10.54	10,877.28
3	32001 Swingline elec nailgun	306	34.58	10,581.48
4	TX9 Bernz fuel cylinder	4,020	2.47	9,929.40
5	UL100 Bernz propane blow torch	924	9.42	8,704.08
6	N144L glove split leather large	1,872	4.50	8,424.00
7	OX-9 Bernz oxygen cylinder	1,620	4.94	8,002.80
8	N144L H & L glove split leather, med	1,464	4.50	6,588.00
9	JT25 Bernz torch kit plastic box	246	21.22	5,220.12
10	ST1A Stan hammer 20 oz rip stl/handle	435	11.86	5,159.10
11	301-01 Spitfire brazing torch	528	9.52	5,026.56
12	PL 320 Stan 20' powerlocks tape	545	9.12	4,970.40
13	OX-2500 Bernz tote torch kit	150	33.00	4,950.00
14	385-55-3 Ajax home rivet tool	557	7.55	4,205.35
15	PL316 Stan 16' powerlock tape	489	8.51	4,161.39

POWER TOOLS

1	574 Skil 7¼ 1¾ HP Circular saw	475	39.08	18,563.00
2	584 Skil var/rev ⅜ drill	432	29.31	12,661.92
3	76601-16 McGraw Ed 5" bench grinder	201	36.05	7,246.05
4	203 USM Electric glue gun	876	7.73	6,771.48
5	487 Skil jigsaw 2 speed	218	29.31	6,389.58
6	8200 PK Weller 100/140 W Soldergun	259	18.65	4,830.35
7	943 Wen 7" Sander Polisher	108	44.10	4,762.80
8	490 Skil St/Line/orbital sander	119	39.08	4,650.52
9	PR19 Wen 3" welt sand dbl/insul	77	45.75	3,522.75
10	2002 Skil 3/8 cordless drill	78	41.36	3,226.08
11	8651 3M Dust mask	1,608	1.77	2,846.16
12	16L25 Lenk 25 W soldering gun	407	4.96	2,018.72
13	497 Skil deluxe var/speed jig saw	45	38.02	1,710.90
14	1616 Partner 16" gas chain saw	10	170.23	1,702.30
15	1150 Pro Arc arc welder Kit 115 volt	14	98.57	1,379.98

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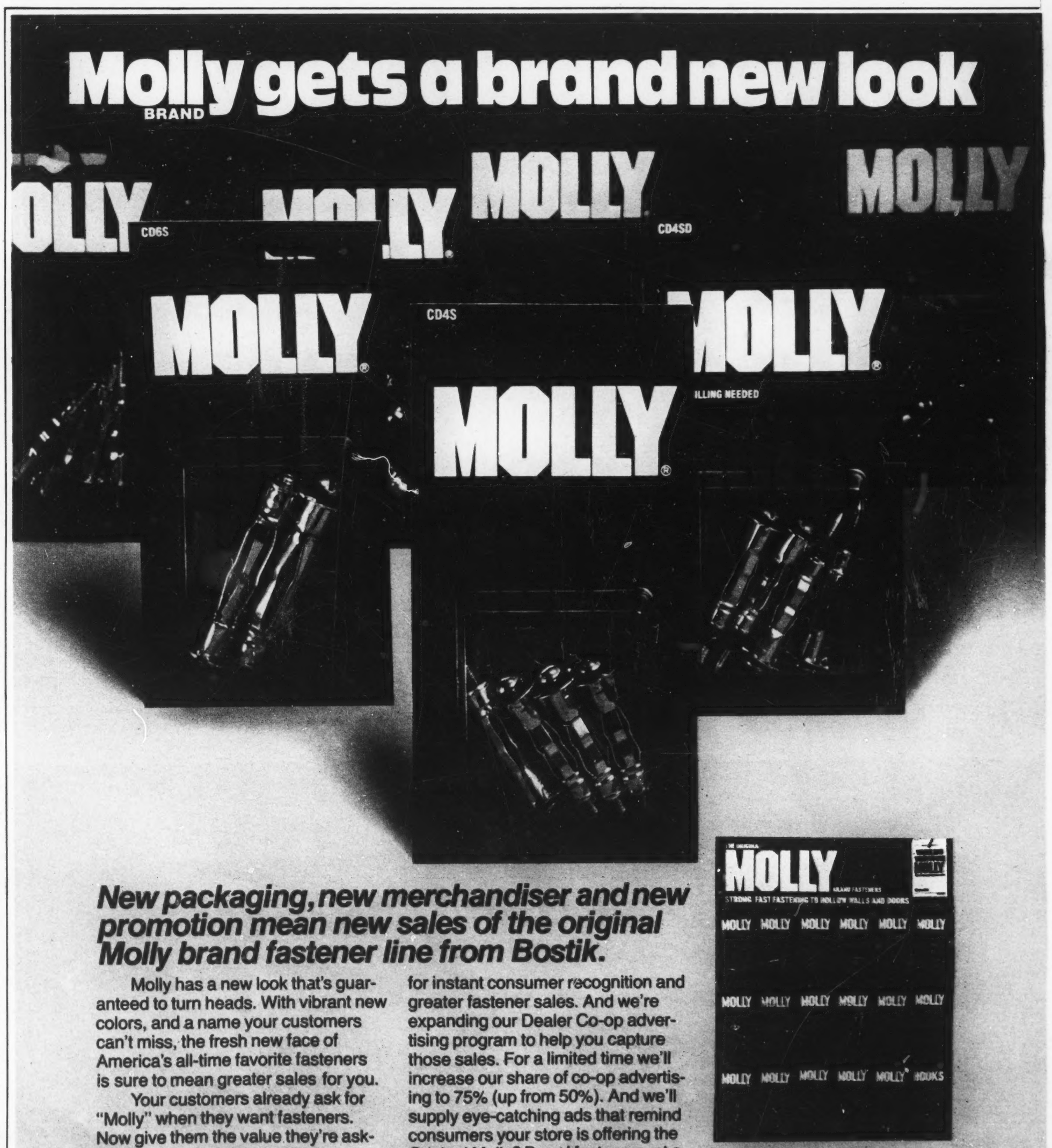
Molly gets a brand new look
BRAND
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CD6S
CD4SD
CD4S
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HARDWARE

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HOME IMPROVEMENT

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	G2420 Grbg bg H.D. 26 gal/20 can	5,400	2.24	12,096.00
2	16' aluminum extension ladder	138	55.74	7,692.12
3	6' aluminum stepladder household	210	35.65	7,486.50
4	6' Wood step stepladder special	204	23.95	4,885.80
5	123 Standard equip Z shelf bracket	4,212	1.10	4,633.20
6	20' aluminum extension ladder	56	74.51	4,172.56
7	2' Wood stepstool	452	7.89	3,566.28
8	32"/732 screen wire alum 6' 4"	1,090	2.95	3,215.50
9	2' x 4' x ⅛" pegboard	2,400	1.25	3,000.00
10	136"/736 screenwire aluminum 7'	830	3.57	2,963.10
11	28"/728 screen wire alumn 6' 4"	1,020	2.62	2,672.40
12	26"/726 screen wire alum 6' 4"	1,090	2.36	2,572.40
13	310 BLK Natco rub mating 36 x 105'	13	191.66	2,491.58
14	24"/724 screen wire alum 6' 4"	1,100	2.24	2,464.00
15	8360 Enco-Pac fiber screen 36 x 84	768	3.15	2,419.20

PAINT

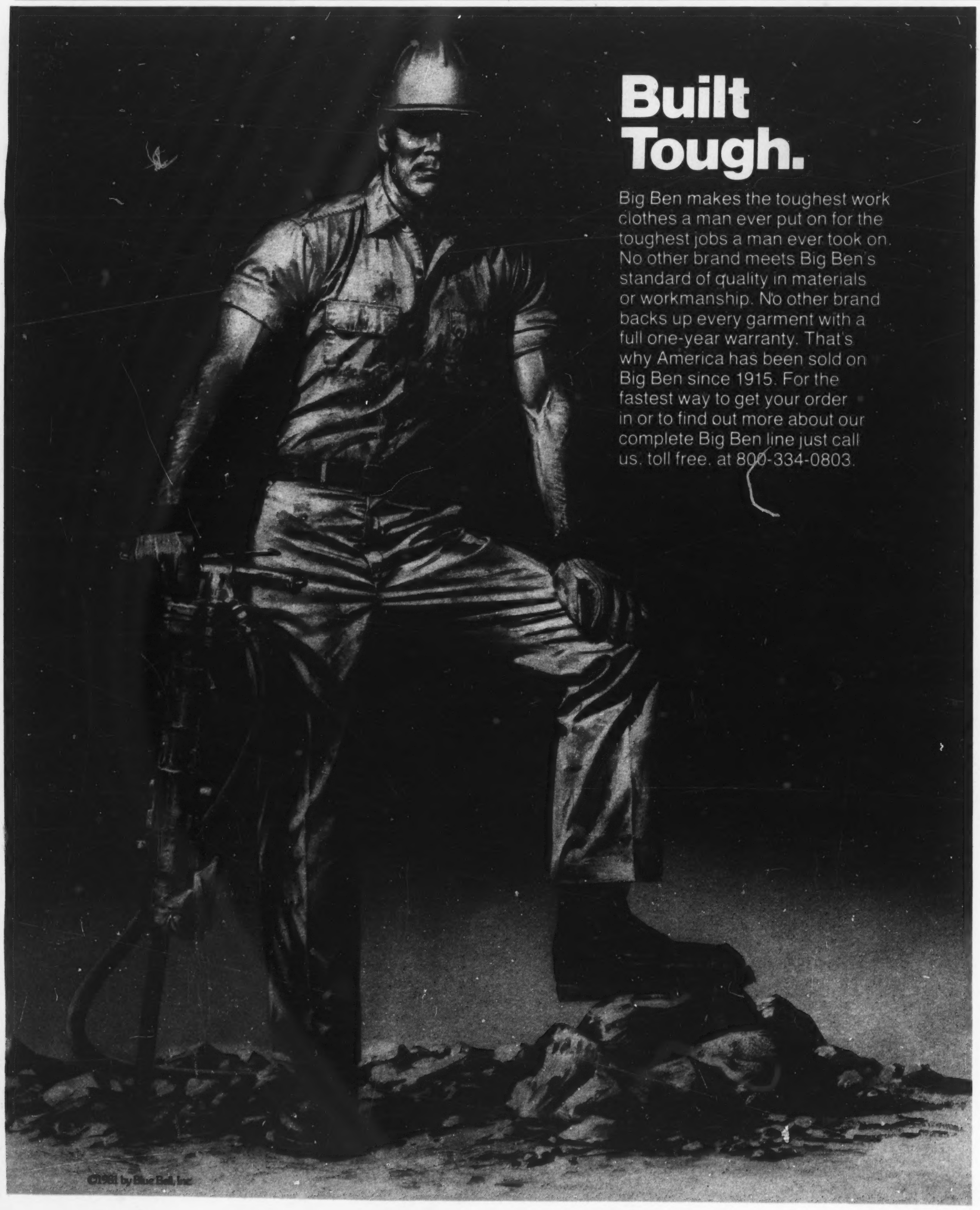
1	0013 Formby 32 oz furniture refinish	786	7.75	6,091.50
2	100 Waterlox transparent gal	248	11.73	2,909.04
3	93 Defthane clear polyurethane Stn, qt	438	5.38	2,356.44
4	0010 Formby 16 oz furniture refinish	516	4.22	2,177.52
5	89 Defthane clr polyurethane glss, qt	510	5.38	1,825.80
6	0011 Formby 64 oz furniture refinish	144	12.67	1,824.48
7	94 Defthane clr polyurethane satin, pt	486	3.60	1,749.60
8	62 Deft clear semi gloss, qt	294	4.85	1,425.90
9	88 Defthane clr polyurethane glss, gal	92	16.03	1,474.76
10	NTTC NY Bronze chrome spray, pt	756	1.91	1,443.96
11	90 Defthane clr polyurethane glss, pt	408	3.60	1,468.80
12	61 Deft clear semi gloss, gal	92	13.91	1,279.72
13	92 Defthane clr polyurethane stn, gal	76	16.03	1,218.28
14	0032 Formby Intro to refinishing	120	9.86	1,183.20
15	64 Deft clear semigloss, 13 oz	390	2.80	1,092.00

PAINT SUNDRIES

1	LN 601S Macco Liquid Nail Adhesive	21,021	1.26	26,486.46
2	4001 WD 40 Rust Preventative	11,280	2.00	22,560.00
3	Shur calk Penco wht caulk compound	10,560	0.53	5,596.80
4	8596 Boyle Plastic Wood, ¼ lb can	5,592	0.98	5,480.16
5	GE2561/372 GE White tub seal, 3 oz	2,340	2.19	5,124.60
6	01103 Savo Pt/remover paste strypee	520	9.56	4,971.20
7	938 Tap 90 E Z 3 pc paint set	1,980	2.36	4,672.80
8	E701 Borden Carpenter wd gl, 8 oz	3,168	1.48	4,688.64
9	391 Boyle 3 in 1 oil regular 3 oz can	5,556	0.81	4,500.36
10	13050 Hyde Scraper W/5 Blades	4,378	0.96	4,202.88
11	Penco Acrylic Latex caulk	3,288	1.24	4,077.12
12	200 BX Krazy glue .07 fl oz	3,260	1.09	3,553.40
13	GE 2562/361 GE clear seal, 3 oz	1,524	2.19	3,337.56
14	40015 WD 40 Multi-use lub .2 oz	1,175	2.47	2,902.25
15	500-092-90 EZ 9" roller frame	1,392	2.00	2,784.00

IMPORTS

1	Int/Sls 21 pc Socket set	896	7.85	7,033.60
2	10 x 12 Import Shelf brackets	10,704	0.55	5,887.20
3	A3001 Int/Sls Floor Jack 1½ ton	76	58.50	4,446.00
4	8 x 10 Import Shelf brackets	11,832	0.37	4,377.84
5	T103 Int/Sls 10" Lock grip plier	1,011	3.67	3,710.37
6	P255 Int/Sls 5" sand disc	4,292	0.81	3,476.52
7	PE02 Int/Sls Tubing/Pipe Cutter set	1,224	2.46	3,011.04
8	T199 Int/Sls Wd Handle S/D set, 7 pc	535	4.21	2,252.35
9	T183 Int/Sls 5 pc Comb wrench set	654	4.15	2,714.10
10	T35 Int/Sls 3½-in bench vise	198	11.70	2,316.60
11	T109 Int/Sls 21" Bow saw	563	3.25	1,829.75
12	T208 Int/Sls 3/8 Dr 8 pc deep set	282	6.33	1,785.06
13	T146 Int/Sls Groove joint plier	480	3.67	1,761.60
14	7222 Int/Sls Trowel	2,412	0.73	1,760.76
15	T510 Int/Sls Pipe wrench 10"	438	3.90	1,708.20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PRODUCT MOVEMENT AUDIT

Promotions

(Continued from page 19)

use in promotions.

The exception in the category is extension cords, which are ideal for promotions. This is the season for long outdoor extension cords and air-conditioner cords, and the PMA reflects that. Two of the top five items in the category are 100-ft. outdoor cords, carrying nice tickets of $12 and $14 per unit sale. Price increases in the category overall average 10% above last summer's.

Naturally, seasonal movers in basic home improvement are ladders and screen wire. Five of the top 10 sku's in dollar movement are ladders, stepladders or a stepstool. Only two of those items generated enough volume to be included as top items in the category on a year-long basis. The 6-ft. aluminum and wooden stepladders generate volume year-round, while our 16-ft. and 20-ft. extension ladders show more marked seasonality.

No. 1 items in both paint and paint sundries each carry slightly sharper prices at retail this year, with Macco liquid nail adhesive running 3% lower on its average retail price, and Formby furniture refinish (32 oz.) 7% lower than its average retail last year. Otherwise, both pricing and items generating top volume remain much the same, particularly in sundries. Several Defthane clear gloss coatings have moved onto the chart in paints, however.

The main trend in promotions this summer will be sharper pricing, as everyone looks for sales dollars that are not simply trade-offs between product lines or representative of cost increases.

Mfr. Shipments Of Appliances March Ahead

CHICAGO—Manufacturer shipments of major appliances in March showed a strong recovery from past low movement to make the 2,974,900 units shipped the highest monthly total in almost two years.

The March figures were a 4.5% increase from the 2,846,-500 units shipped in the same month a year ago, the Association of Home Appliance Manufacturers reported.

The higher March movement, however, wasn't enough to offset sharp declines in January and February, and the quarter showed a 1.4% drop to 8,069,300 units from 8,180,600 units.

Two appliances accounted for most of the March shipment gain, with room air-conditioners up 42.8%, to 623,300 units from 436,500 units, and microwave ovens showing a 20.7% increase, from 241,500 units to 291,400 units. Disposers had a 7.9% increase, to 317,200 units from 293,900 units.

All the other major appliances tracked by the association had declines, ranging from dehumidifiers, down 1.7%, to compacts, off 24.3%.

6/15/81 C 5150-3

Specialty Chain Census: Pp. 17-43

Photo Market Outlook: P. 11

Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

VOL. 20, NO. 12 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 a copy | JUNE 15, 1981

Discounters Probe Rx Potential

Nationwide DSN Report

Nearly one American in every 10 relies on a discounter as the primary source for prescription drugs, according to a new poll released by Lou Harris and Associates.

Discounter reaction to the market potential, however, is mixed—ranging from K mart's massive buildup of in-store pharmacies to Target's recent cutback of the department. In fact, less than half of the industry's store units currently include pharmacy operations, according to the latest DSN survey figures.

Discount store pharmacies can be profitable despite a tendency to use them as loss leaders, but slow payback time involved with startup and the specialized nature of the merchandising holds back many discounters.

Chain merchandisers say average time for a department to break into the black is two years, while up-front inventory investment can run from an average of $15,000 up to $30,000.

Volume can run as high as $300,000 a year—as is the case at many Wal-Mart stores, according to a pharmacy lessee—in departments commonly averaging 400 sq. ft. to 600 sq. ft.

Gross margins, however, are no longer what they once were.

"Everyone thinks of 50% to 60% margins when they think of the pharmacy," said a T.G. & Y. spokesman, "but that isn't true any more. Anyone trying to make over 40% isn't competitive. We average 35% gross margins."

T.G. & Y. is one of the chains that has been able to position its pharmacy departments for profit as well as volume; sales per square foot at the chain's 29 units were $900 last year. A chain spokesman said the pharmacies achieved $100 per square foot in profits alone. The chain prefers to locate its pharmacies in metropolitan market clusters to take advantage of the same advertising umbrella.

Target and K mart have run their pharmacies as loss-leader departments, in contrast to T.G. & Y., and this has led K mart and Target in opposite directions. K mart, interested in the traffic the department can generate, is willing to accept lower profits per square foot. Target, on the other hand, has decided it can live without the traffic generated by giveaway drugs.

An average K mart pharmacy tops $210,000 in volume a year, running on margins of less than 20% with a total inventory investment near $14,000 according to some estimates. The chain has upward of 900 pharmacies now operating in its stores, 110 of which were added last year. Chairman Bernard Fauber promises the chain will have more than 1,500 pharmacies operating by 1983.

Fauber credited the chain's drug program as a factor in the chain's sales increases this spring (11.7%), though it is doubtful much of the volume makes it to the bottom line.

A major competitor of K mart in the Midwest notes: "Our experience in competition with them is that they will run the department as a loss leader for the 1st year and into the 2nd year, often selling at cost. After that, they begin easing prices up in the department."

Target had gone even fur-

(Continued on page 51)

Fauber's Message to Shareholders—

K mart to Trim Growth, Focus on Remodeling

TROY, Mich.—The cost of funds has put a damper on K mart's store expansion plans prompting the chain to seriously consider trimming the program from its original 150 to 170 new store openings per year to 75 to 100 stores after 1982, according to Bernard Fauber, chairman.

Fauber told shareholders at the annual meeting here that the chain would instead focus its attention on its remodeling program, treating 450 stores this year alone to the new store design that first appeared in the chain's nine-store Indianapolis market last year.

"In anticipation of continued high interest rates . . . we have determined that we should reduce our previously projected rate of store openings and divert more resources and management time to bringing up to a high standard of operation our existing base of stores while optimizing their profit performance," Fauber stated in the chain's 1980 annual report.

The move is a significant reversal for K mart, which in the past has been known to open as many as 300 stores in one year. Industry experts feel that the slowdown is a step the retail giant must take to improve its recent sluggish financial performance.

The chain's expansion and refurbishing commitments will be financed by funds generated from operations and short-term borrowings, according to the annual report. Debt to total

(Continued on page 52)

Bernard M. Fauber
Chairman, K mart

Modern Merchandising to Sell Its Leeds Div.

MINNETONKA, Minn.—Modern Merchandising, as part of its turnaround effort, plans to sell its erratically profitable $76 million volume Leeds division in Florida to H. J. Wilson for about $20 million.

The deal for the 14 stores is scheduled to be completed next month after H. J. Wilson finishes an audit of the Leeds operation which has a single showroom in Fort Lauderdale, two in Tallahassee, three in Jacksonville and four each in the Tampa-St. Petersburg and Orlando markets.

An immediate benefit of the sale, a Modern Merchandising executive said, could be the 3rd-ranking cataloger's stepping up its expansion program this year to six showrooms from the four originally planned.

The gain would be adding a 2nd LaBelle's in the Rocky Mountain States area to the expansion schedule that first called only for a LaBelle's to be opened this fall in Grand Junction, Colo.

The company had previously added a Jafco in Salem, Ore., to its 1981 opening schedule as the 5th new showroom.

The other three showrooms announced by Modern Merchandising earlier this year have already been opened. They are Dolgin's in Overland Park, Kan., and St. Joseph,

(Continued on page 52)

Buyers Pick Finalists for SPARC Awards

NEW YORK—Discount chain buyers' nominations for the finalists for the 4th annual *Discount Store News* Supplier Performance Awards by Retail Category (SPARC) are in.

Each year buyers are asked to nominate their three best suppliers in each category. The general merchandise managers of the discount chains around the country will now vote on the finalists to select the winner, 1st and 2nd runners-up.

Interestingly, several of last year's SPARC winners didn't make it to this year's finals—a sign that more manufacturers are tailoring their programs to better fit discounter needs.

The voting results will be announced at DSN's annual SPARC, Aug. 16 at the Hyatt

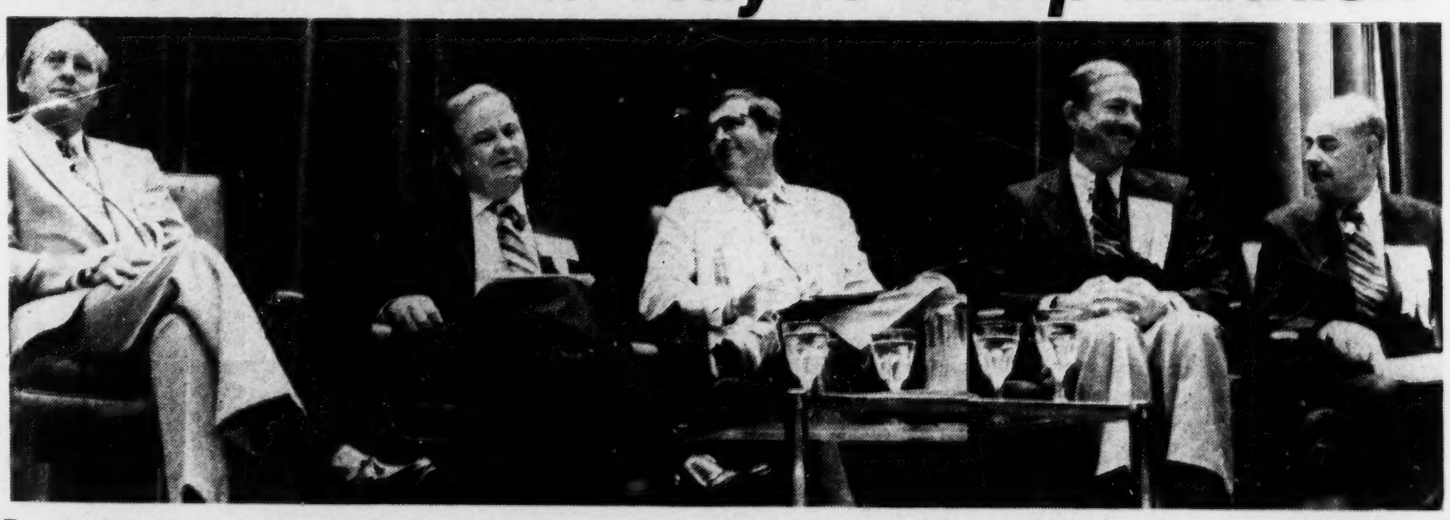
(Continued on page 57)

President's Roundtable Seeks Way to Whip Inflation

BAL HARBOUR, Fla.—What's the best way to devise a strategy to whip inflation? One way is to bring together a panel of retailing experts to provide suggestions, and that's what the Presidents' Roundtable session at the National Mass Retailing Institute convention accomplished.

The plan devised by the panelists to cope with inflation in the 1980's included guarding against unjustified increases in the cost of goods, and passing along cost increases that were justified; strict controlling of operating expenses; better planning and execution of retail strategies, and (from the suppliers' perspective) increased capital investment, when and if President Reagan's budget- and tax-cutting measures take effect.

It's a comprehensive plan, arrived at by consensus among Dan Kelly, president of T.G. & Y. (execution and planning); Bruce Allbright, president of Target (cost pass-alongs); Arnold Suval, president of the Zodys division of Hartfield-Zodys (operating cost controls), and Norman Livingston, president of the battery products division of Union Carbide (capital investment).



President's Roundtable participants at the recent NMRI Convention included Bruce Allbright, Target; Dan Kelly, T.G. & Y.; David Godfrey (moderator), vp, Hart's, Arnold Suvall, Zodys, and Norman Livingston, Union Carbide's Battery Products division.

"I can't exaggerate the importance I place on President Reagan's economic plan to cut Federal spending and taxes," said Livingston.

Livingston went on to stress the importance of cutbacks in Federal entitlement programs and Government regulation of business and industry. He added that it is important to set up a plan—much like annual sales and profit plans—to help improve productivity, and capped his presentation with a

(Continued on page 48)

Target, Bradlees, Gemco Hold Annual Meetings

Target Slated For More D-H Dollars

MINNEAPOLIS—Target stores, Dayton Hudson's volume front-runner, will get a major chunk of its parent's future capitalization dollars, shareholders were told at the corporation's annual meeting here this month.

During his 1st annual meeting as D-H's president, Kenneth Macke detailed a five-year corporate expansion program that will allocate 90% of a $1.95 billion capitalization budget (by 1985) to its three fastest-growing divisions: Target, Mervyn's and B. Dalton Booksellers. The plan calls for $1.75 billion in capital expenditures and about $210 million in new lease obligations to be made during the five-year period, during which the company pledges to raise between $100 million and $200 million in long-term bonds in each year.

D-H expects to unwrap 85 Targets by 1985, pumping up total store count to 222. An addition of 8.4 million sq. ft. will

(Continued on page 56)

New Buyer Set-Up

MINNEAPOLIS—Unlike most discounters, Target has increased its payroll budget in order to improve operational productivity.

The upscale discounter has reorganized its buying team, placing more responsibility in the hands of its assistant buyers to free up its head buyers' time. Each head buyer will now have at least two assistants: one to handle the merchandising functions, and another to handle the distribution and rebuying arrangements.

"The new setup enables the head buyer to concentrate more of his time on merchandising and marketing trends," said Bruce Allbright, president, who added that this latest reorganization was the end result of a series of experiments.

Bradlees Targeted For Parent's Investment Dollars

BOSTON—The bulk of the largest capital investment budget in Stop & Shop history—$40 million—will be allocated to Bradlees and the supermarket division, Avram J. Goldberg, president and chief executive officer, reported at the parent company's annual meeting here.

While Bradlees' store expansion and remodeling programs will parallel last year's with perhaps seven new stores and four remodels, added to its newest markets—Virginia and upstate New York—this year's allocations will implement a new management training program and complete a chainwide conversion to electronic point-of-sale registers.

A spokesman said the two new programs should help Bradlees recover from a soft, highly promotional year.

In addition, this year the number of the chain's 90 stores that have been remodeled will edge past the 50% mark, providing refixturing that makes better use of the cube with taller displayers and layout modifications that create a store-within-a-store look.

A Bradlees spokesman said altogether the changes would make the chain more productive and stores easier to shop.

Eight million dollars of the budget have been earmarked for the electronic checkout system. Some of that will foster the installation of electronic point-of-sale registers in the remaining 11 Bradlees which lack the system. (The remainder will fund the installation of scanners in the supermarket division's stores.) The pos system will be in place by August, Harold Frank, Bradlees ceo, said. It will save clerks' time at store level, and in the long term equip buyers to plan buying and reorders and stay in stock.

Another part of the chain's improvement plan stems from the parent company's increased investment last year in a new department, Human Resource Development.

The program at Bradlees consists of a management de-

(Continued on page 57)

Gemco Cites Tight Credit for Earnings Slide

LOS ANGELES—Sluggish economy and cautious consumer spending depressed Gemco/Memco's earnings for the quarter ended May 3, 1981. Earnings for the discount division of Lucky Stores declined 67%, to $2.14 million, on a sales increase of 12%, to $404 million.

But S. Donley Ritchey, Lucky president, told shareholders at the annual meeting here that solid gains in food, specialty and fabric stores had offset the expected decline in department stores, and the company's 1st-quarter earnings were up 7% (to $20.1 million) on sales of $1.7 billion.

For the fiscal year ended Feb. 1, 1981, Gemco/Memco reported a nearly 10% increase in sales of $1.7 billion, while pretax earnings dipped 27%, to $41.7 million. Sales per square foot rose $294, compared to $287 per square foot in fiscal 1979.

Pretax profit for the division dropped nearly $6 million from fiscal 1979, but $5 million of the decline resulted from higher LIFO charges. Food store profits before income taxes dropped about $6 million, after an $8 million LIFO charge greater than the prior year. Overall, the decline in pretax earnings resulted more from the writing off of the effects of inflation on the food stores' inventory than in a decline in operating effectiveness.

Ritchey attributed Gemco/Memco's earnings decline to sluggish sales, especially in big ticket items such as major appliances and jewelry, which were impacted by tighter credit controls starting in early 1980.

The rest of the discounter's drop resulted from shaved gross margins, and from increased operating expenses in wages and utilities.

Gemco/Memco contributed 26% to total corporate earnings of $90.5 million on total corporate sales of $6.5 billion in fiscal 1980. Lucky's 1980 sales for the 52 weeks were up 11% from the prior 53-week 1979 year. However, if the extra week is removed from 1979, sales rose 13.5% for 1980, Ritchey noted.

Chains Regain Ground in First Qtr. Earnings

Chain (Date Quarter Ended)	First Quarter Net Income (Loss) Last Fiscal Year	First Quarter Net Income (Loss) Last Fiscal Year	% Gain (Decrease)	First Quarter Sales	% Gain (Decrease)
Ames (5/2/81)	$ 1,366,000	$ 1,123,000	21.6	$ 82,100,000	17.0
Caldor (5/2/81)	1,489,924	1,452,030	2.6	136,696,820	16.9
Dayton Hudson (5/2/81)	26,761,000[A]	16,719,000	60.1	976,504,000	29.1
Federated (5/2/81)	40,728,000	26,502,000	53.7	1,513,873,000	14.5
Gaylord (5/2/81)	(337,000)[B]	(535,000)	—	25,382,000	6.2
Grand Central (5/3/81)	380,561	181,094[C]	110.1	50,738,549	6.5
Jamesway (5/2/81)	(120,000)[D]	(5,000)[E]	—	57,854,000	0.0
K mart (4/29/81)	34,585,000	39,645,000	(12.8)	3,332,128,000	11.7
Lucky Stores (5/3/81)	20,100,000	18,900,000	6.3	1,490,000,000	13.4
May Co. (5/2/81)	16,300,000	12,100,000	34.7	708,200,000	9.5
Montgomery Ward (3/31/81)	(47,000,000)	(46,000,000)	—	1,185,000,000	10.0
J. C. Penney (5/2/81)	50,000,000	14,000,000[F]	257.1	2,511,000,000	10.6
Sears (4/30/81)	94,200,000[G]	59,000,000	59.7	6,102,100,000	11.5
Sterling Stores (5/2/81)	(796,000)	95,000	—	28,126,000	5.5
Strawbridge & Clothier (5/2/81)	845,598	712,294	18.7	84,807,944	7.3
Wal-Mart (4/30/81)	13,423,000	9,455,000	42.0	434,251,000	38.0
F. W. Woolworth (4/30/81)	(6,000,000)[H]	26,000,000[I]	—	1,579,000,000	4.2
Zayre (5/2/81)	357,000	(1,461,000)[J]	—	371,800,000	12.4

[A]Includes gains from sales of real estate and discontinued operations. Operating results also include those of Ayr-Way acquired earlier this year.
[B]Includes $386,000 gain on lease sales and a $186,000 tax credit.
[C]Includes $140,766 in nonrecurring income.
[D]After $271,000 in LIFO charges for latest quarter and $197,000 for previous quarter from change to LIFO accounting.
[E]Includes sales from leased departments.
[F]After $4 million loss from discontinued operations.
[G]Includes $11.7 million nonrecurring gain on adjustment to 1980 income taxes.
[H]Includes currency translation losses of $4 million.
[I]Includes a $20 million refund of prior year's advance corporation tax.
[J]Year-ago results have been restated for adoption of LIFO.

Traditionally slow 1st-quarter earnings made some advances this year—Grand Central's earnings more than doubled to $380,561; Wal-Mart's net income went ahead 42%, to $13,423,000, and Zayre moved into the black with a $357,000 net gain, compared to last year's $1,461,000 loss (restated for a shift to LIFO accounting). However, the industry's leader K mart didn't fare nearly as well with earnings slipping 12.8% to $34,585,000. Of the big three—Sears, Ward and Penney—only Ward failed to climb out of the red. Sears' and Penney's earnings advanced 59.7% and 257.1%, respectively.

Spotlight on: Furniture

Zayre's Leased Departments Serve Local Market

Upscale furniture, via leased departments, has made its way into three of Zayre's southern Florida stores. The departments, shown here in the chain's Hialeah store, is an example of the chain's efforts to merchandise individual stores to serve the needs of a particular local market, which in this case is largely Hispanic. *(DSN photo)*

In This Issue...

SOFT CRAFTS. Latch hook, former star of the soft craft category, has become a promotional football, and discounters are looking elsewhere to turn a profit. Unfortunately, with few promising new items in the market, business is soft. See market outlook. (P. 6.)

MINICAMS. Pocket cameras are in fashion as instant cameras lose their appeal for buyers at major chains. (P. 11.)

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DISCOUNT STORE NEWS
(ISSN 0012-3587), is published biweekly—every other Monday, monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: *Retailers and wholesalers*—one year, $7.50; two years, $14. Canada: one year, $8.50; two years, $16. *Manufacturers, schools, libraries and all others*—one year, $14, Canada: one year, $15. *Foreign subscriptions:* Airmail only, $100 per year. Single copy rate, $2, except annual census issue, $25.

Controlled circulation postage paid at New York, N.Y., and additional mailing offices.

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Vol. 20, No. 12 June 15, 1981

Specialty Chain Census

Auto Specialty Chains Expect '81 to Pick Up

While it's true that in hard times more motorists will do more of their own car repairs themselves, auto specialty chains were disappointed in 1980. The outlook for 1981 is brighter.

The economy was so bad "consumers just put off doing any kind of work on their cars last year," said one chain spokesman who shares an industrywide belief that car owners will not be able to put off those repairs much longer.

The industry is also taking heart in the growing number of service stations that are closing their service bays to become strictly filling stations, with many chains expecting to double their service (labor) volume as a per cent of total sales.

At the same time, the industry is becoming more self service than ever before to get a handle on sky-rocketing operating costs. To do this, many chains were remodeled in 1980.

Central to the Pep Boys chainwide remodeling program are remerchandising changes that will make the stores less labor intensive. Guarantee Auto moved its hard parts service counter from the rear of the store to the center to get sales personnel closer to the retail selling floor. In the past, the counters had been located at the rear of the store adjacent to the service bay.

Grand Auto took the reverse tactic and repositioned its service counters at the rear of its stores. "We want the customer to have to walk all the way through the store to ask for service," a spokesman noted.

Discount Drug Chains Post Healthy Growth

The specialty discount drug chains continued to gather steam last year with Revco breaking the $1 billion mark and three other chains—Thrifty, Rite Aid and Longs—poised to do the same thing within the next 12 months.

Within that sales growth, however, two trends were clear: (1) the move deeper into general merchandise stocking, and (2) the further consolidation of the industry into the hands of a shrinking number of drug chains that have targeted the fast-growing Sunbelt markets for continued growth—but in neighborhood, rather than mall, locations.

In 1980, the top 50 drug chains grew by 850 units—nearly 600 of them takeover units, most from the dissolution of 12 sizable drug chains. Revco, for example, added 137 stores in its last fiscal year, all acquired from three other drug chains.

Rite Aid solidified its Sunbelt base with the acquisition of 31 Fay's stores in the Carolinas.

This consolidation left the top 50 chains accounting for 62% of all drug chain units at the end of 1980 and 71% of the industry's $16.8 billion in sales.

Expanded assortments in convenience foods, home improvement and automotive do-it-yourself products are already visible in most large drug chains. Like the discounters who are becoming increasingly more intent on making a fashion statement in their stores, cosmetics departments are getting a facelift.

Specialty Toy Chains Carve Larger Share

Specialty toy chains are becoming a stronger force in the marketplace today, currently accounting for an estimated 14% to 16% of the toy market. But industry sources expect their market share to jump from 20% to 25% of all toys sold in the United States by the end of the decade.

Last year, however, faced with a sluggish economy, late Christmas buying and heavy-duty competition from discounters and catalog showrooms, toy specialty chains got swept into a promotional frenzy that pared gross margins to the giveaway point in many toy categories.

The industry's volume leader, Toys "R" Us, for example, posted a sales gain of 24.4%, hitting $597.3 million in sales at the end of its last fiscal year. Net earnings during the period moved up 8% to $28.9 million. A year earlier, earnings had roared ahead 56% over the previous year's figures and reached $26.8 million.

Lionel Leisure's toy stores had a year good enough to win the chain 2nd place on the volume ranking. Sales went ahead 36%, to $206.7 million, and earnings climbed 11.3%, to $11.6 million—a good showing but the previous year had seen the chain's operating profit advance 52.4%, to $10.4 million.

Child World, which also operates under the Children's Palace nameplate in its Midwestern markets, slipped into 3rd place with sales of $178 million in its most recently completed fiscal year.

Activity Slackens for Sporting Goods Retailers

It was a tough year last year for most sporting goods retailers. A lackluster economy in general and a winter without snow in the West forced many chains to tighten their belts.

Herman's, the top-volume sporting goods chain in the country, cut back its expansion rate severely. The chain added only four units in 1980 after adding 19 the year before.

A spokesman at Herman's parent W. R. Grace said no new stores are likely in the next 18 months to two years.

Smaller operators such as Dave Cook and Michigan Sporting Goods held steady in store count, while Morsan was forced to sell off three of its eight stores.

Zale, operator of 38 sporting goods stores under several names, abandoned plans it had to expand its chains and walked away from the industry instead. Zale had experienced several seasons of sluggish growth in its stores, with same-store sales gains at 5% or less in recent quarters, according to one retail analyst.

Oshman's was the big gainer in 1980, picking up 33 of Zale's stores, and adding five more stores so far this year. Plans call for as many more by December.

A Lackluster Year for Consumer Electronics

Slow growth in consumer specialty stores was the pattern over the last year with industry leader Radio Shack slowing its new store opening rate to 1.7% of its base.

Pittsburgh-based Kelley & Cohen added only a single unit, while Team and CMC Stereo remained relatively static. And one-time giant Lafayette—reduced to eight stores from last year's 116 following Chapter XI proceedings—is being acquired at the end of the month by Ward's Co., which also operates the Circuit City stores.

Computer sales have been much of the news in the present selling season. Radio Shack is increasing its reliance on computers, with service centers in more than 100 stores and as many special computer stores now set up. Computers now represent more than 12% of the chain's total volume.

Kelley & Cohen will have an Atari computer in its stores this month in a long-anticipated entry into the market. Kelley & Cohen will not rely on the computer for significant volume, but feels a need to be represented in the category.

At CMC, a 58-unit privately owned chain in St. Louis, interest in home computers also built this year.